



The PUF Lands: A Microcosm of the Permian?

Mark Houser, CEO



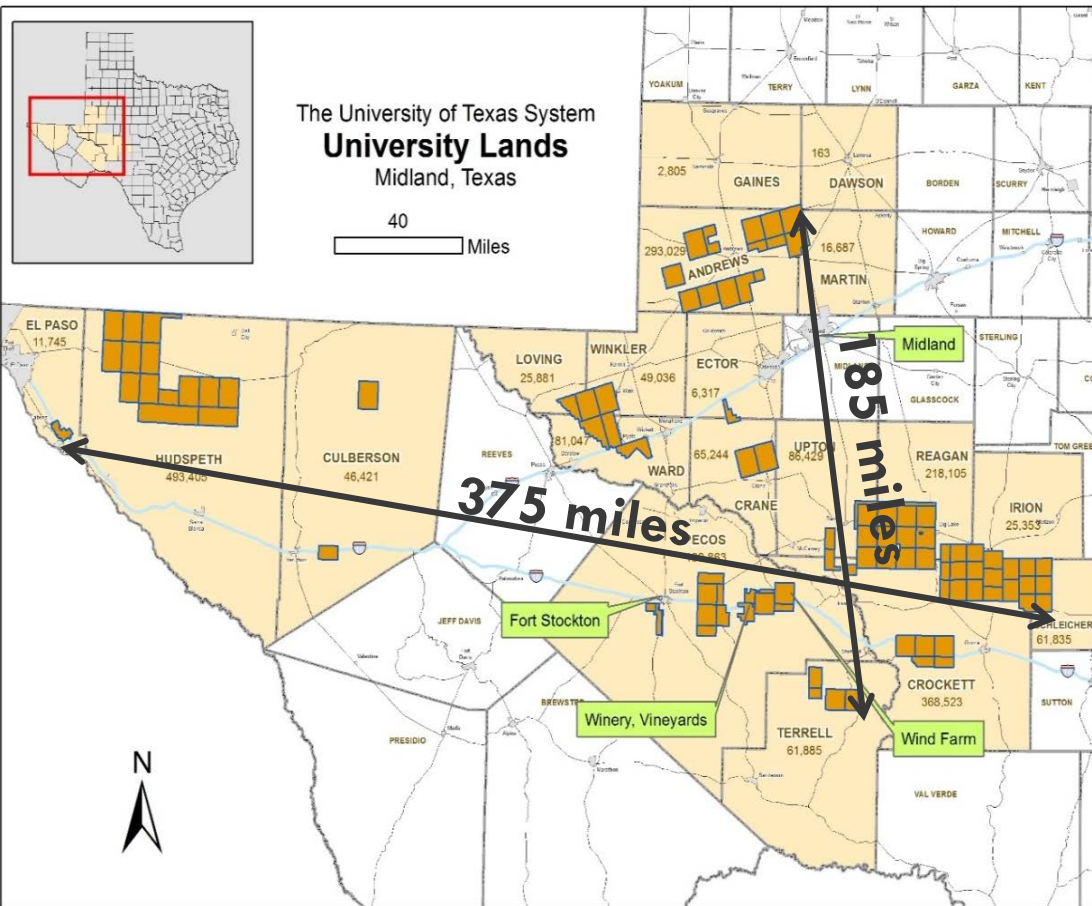
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August 10 , 2017

TIPRO Summer Conference – Hyatt Hill Country

Overview: The PUF Lands

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- ❑ **UL manages surface and mineral rights of 2.1 million acres primarily in West Texas**
- ❑ **History of the land dates back to 1838**
- ❑ **First oil discovery in 1923**
 - ❑ 20,000 wells drilled to-date
 - ❑ 9,000 wells currently producing
 - ❑ >20,000 wells left to drill
 - ❑ 250 o&g companies
- ❑ **Surface activities include:**
 - ❑ Pipelines and power line easements
 - ❑ Grazing, ranching and hunting leases
 - ❑ Renewables-wind and solar (coming soon!)
 - ❑ Winery & vineyard
 - ❑ Airports, schools, commercial businesses
 - ❑ Groundwater sales
 - ❑ Environmental and wildlife programs

- ❑ **Revenue supports UT & A&M Systems via the “PUF” and “AUF”**

The PUF Lands



University Lands: New Business Strategy

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- ❑ Create a more commercial forward-looking organization
- ❑ Increase technical knowledge of the resource
- ❑ Work with partners to promote continuous development and value creation through commodity swings by diversifying and incentivizing
- ❑ Assess UL internal organizational structure and statutory framework to determine best structure for land management, stewardship and value creation



University Lands: Economic Development Opportunities

Effective Corporate Structure

**Oil and
Gas**

**Water
Resources**

**Solar and
Wind**

**Other Surface
Activities**

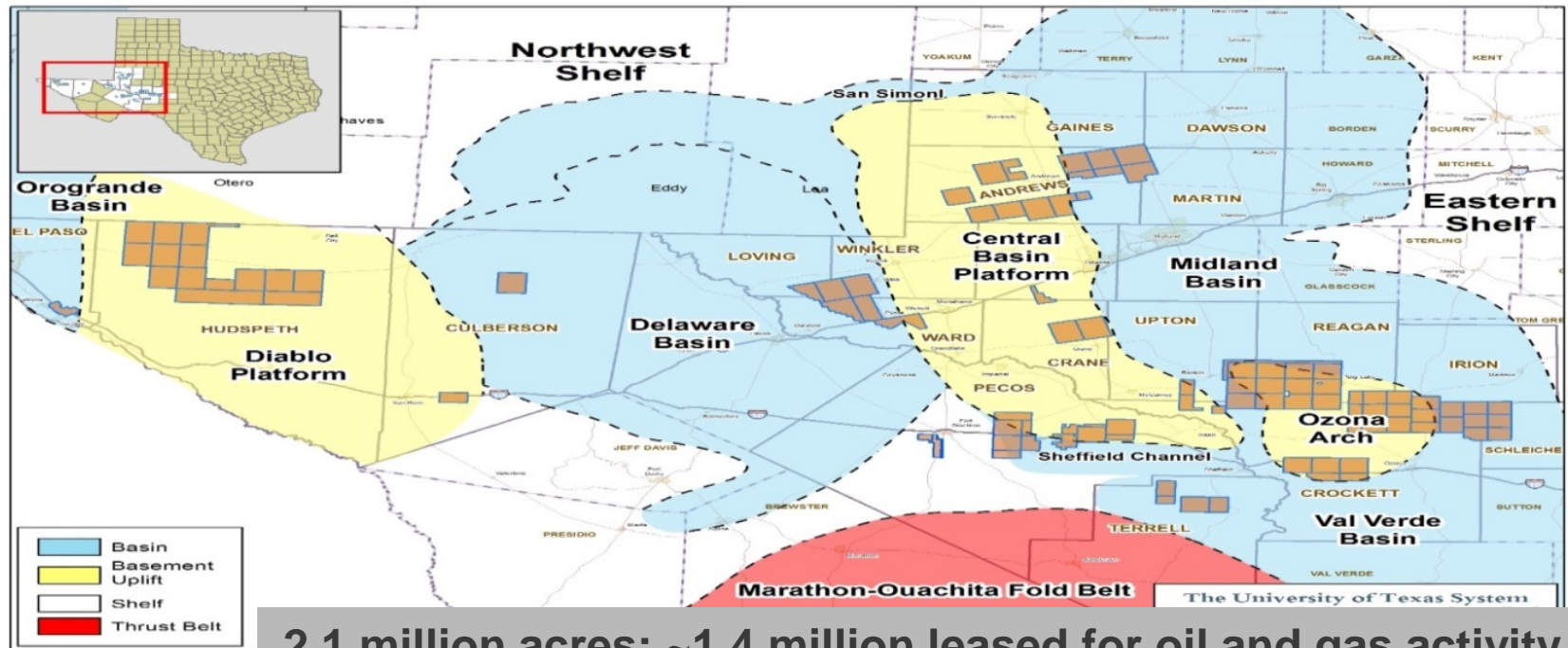
Excellent Environmental Stewardship



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PUF Lands Oil and Gas Assets

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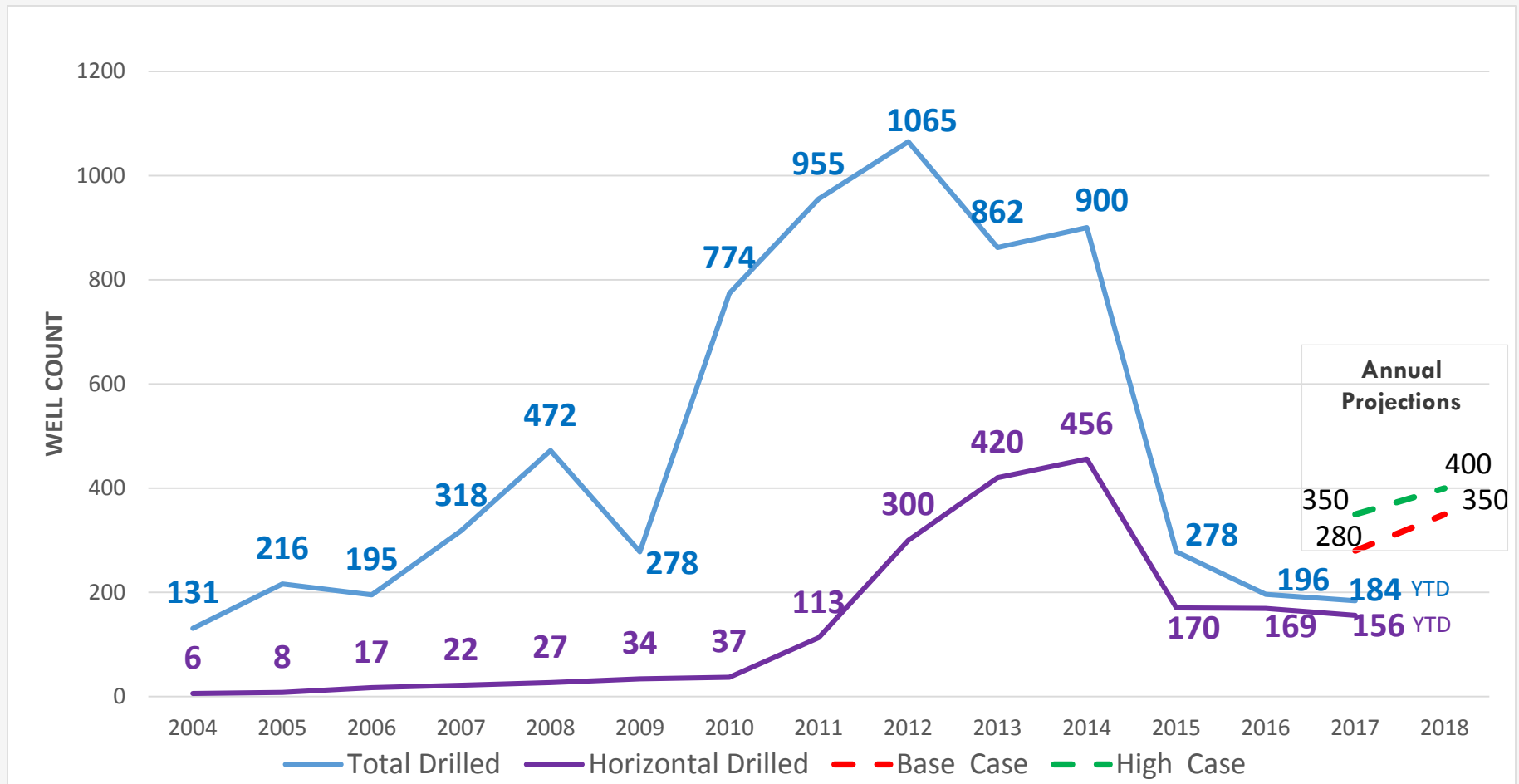
- ▣ Total Net Reserves, Aug. 2016
 - ▣ 1.5 billion barrels of oil equivalent (BOE)
 - ▣ >20,000 future drilling locations
- ▣ 2017 Daily Production (60% oil)
 - ▣ ~200,000 BOE gross per day
 - ▣ ~40,000 BOE net per day (20% royalty)



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Wells Drilled by Calendar Year

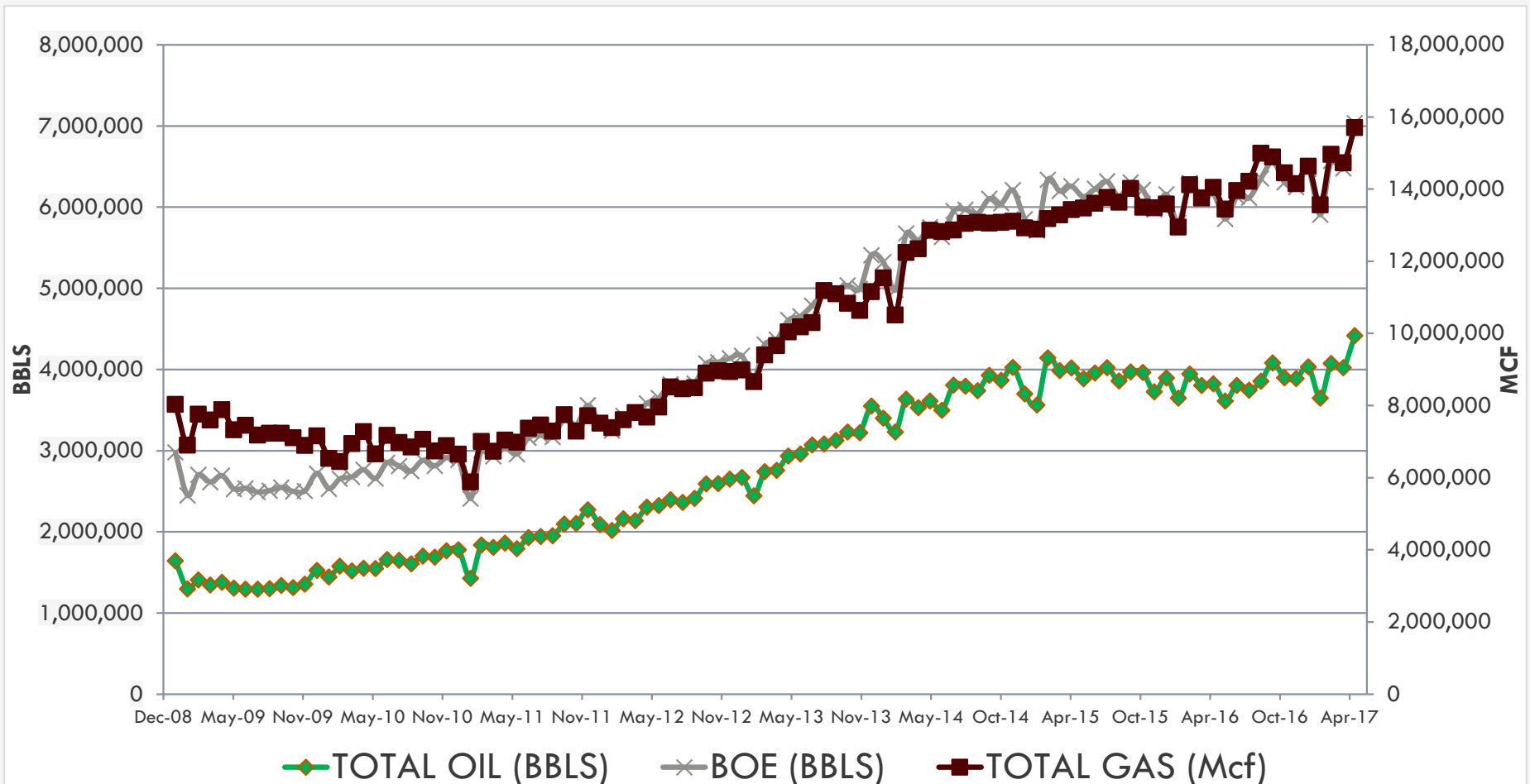
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184 total wells drilled as of August 1

PUF Lands Production (2009 – Present)

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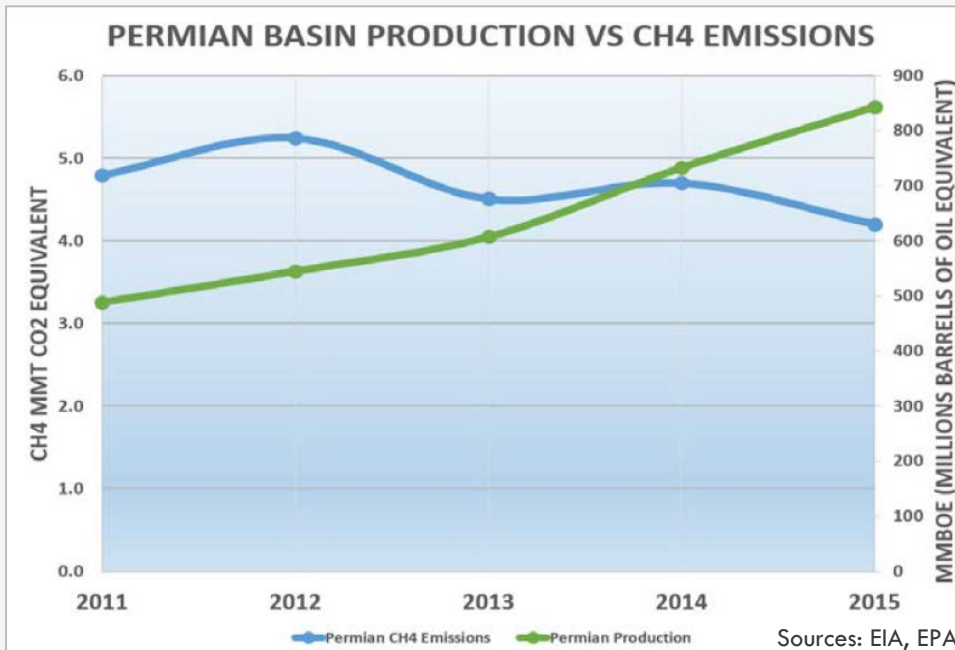
University Lands Environmental Practices Go Above and Beyond & Are Ever-Evolving

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- ✓ Strong relationships with environmental groups and regulators
- ✓ Policies unique to UL that surpass regulatory requirements
- ✓ Commitment to prudently evolving as technology evolves

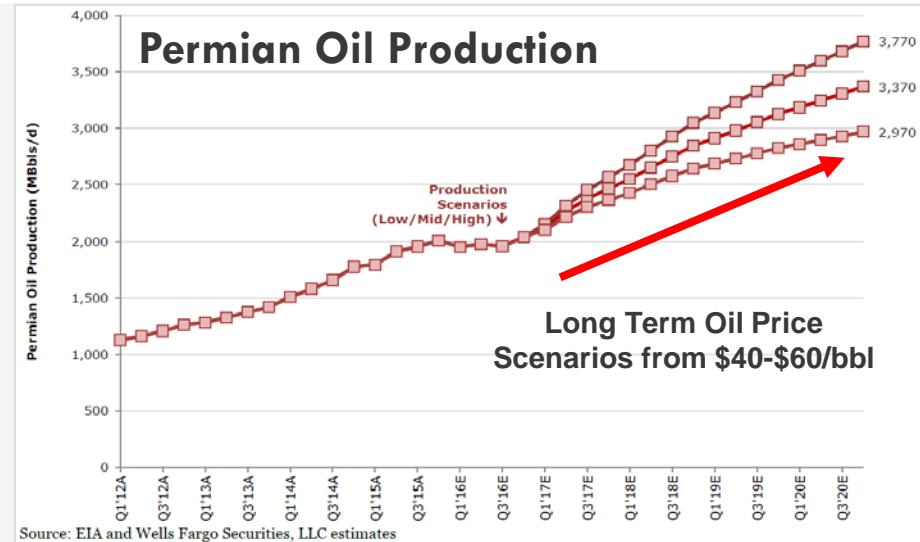
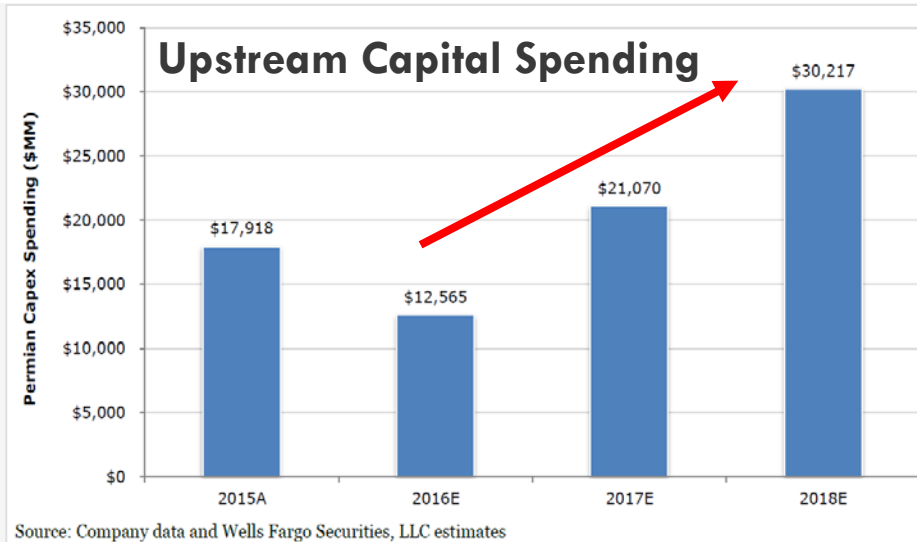
UL Focus on Impacts of Resource Development

1. Seismicity
2. Land/Surface
3. Air
4. Water
5. Transportation
6. Community & Economic

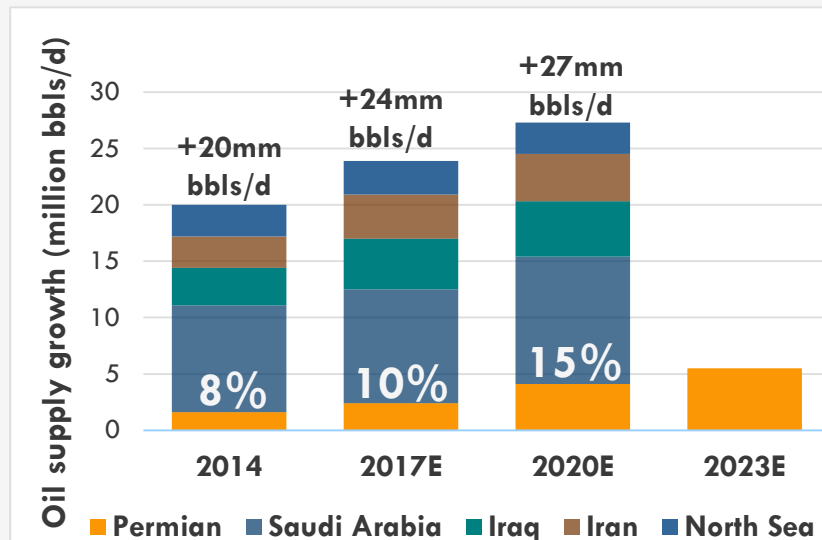


All Signs Points to Growth for Permian Basin

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**Permian Basin
Becoming Larger
Portion of Global
Supply Growth**

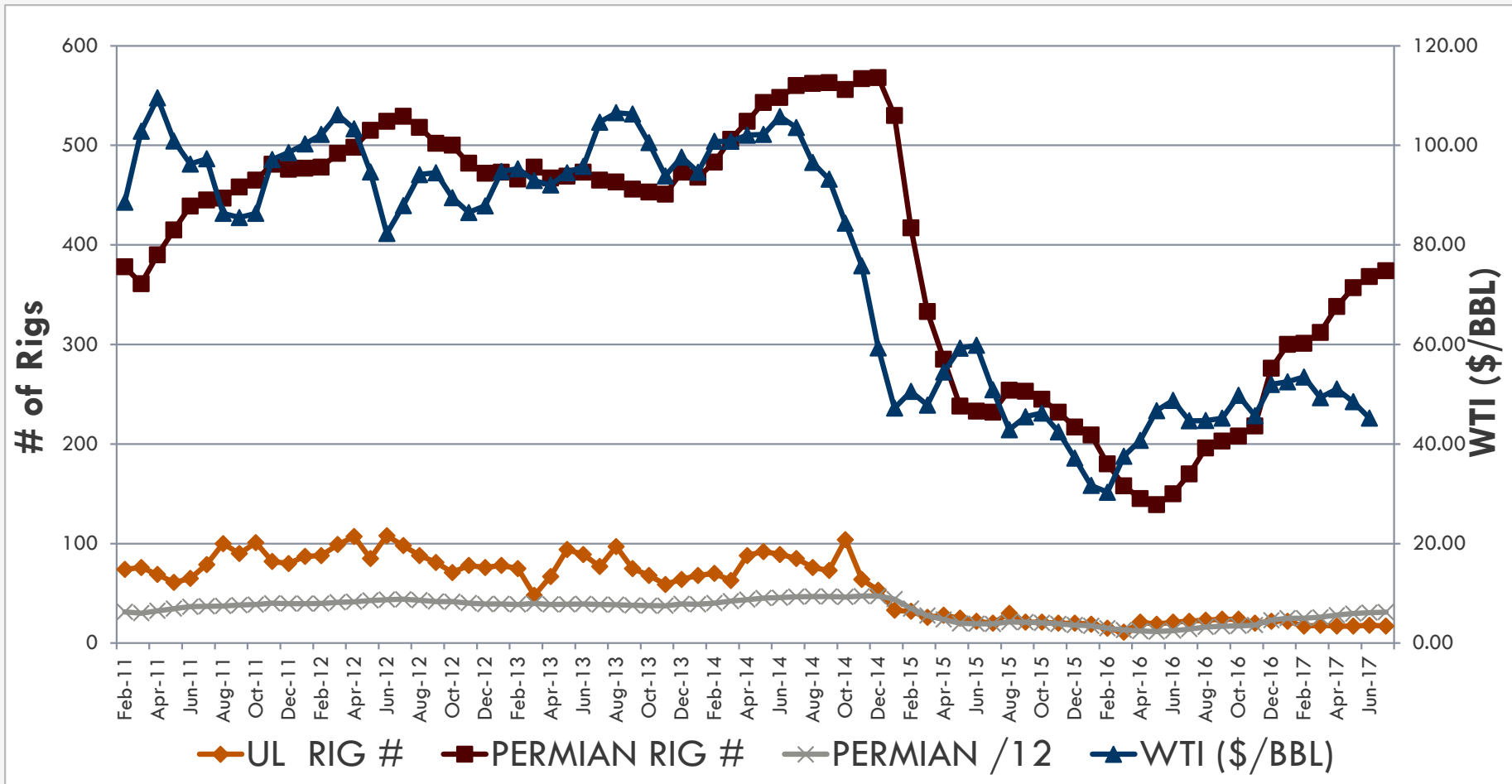


**Permian doubles
its share of
production growth
2014 - 2020**

Source: IHS, IEA, BP
Statistical Review of
World Energy,
Goldman Sachs Global
Investment Research

Permian Basin Rig Count vs. Rig Count on PUF Lands

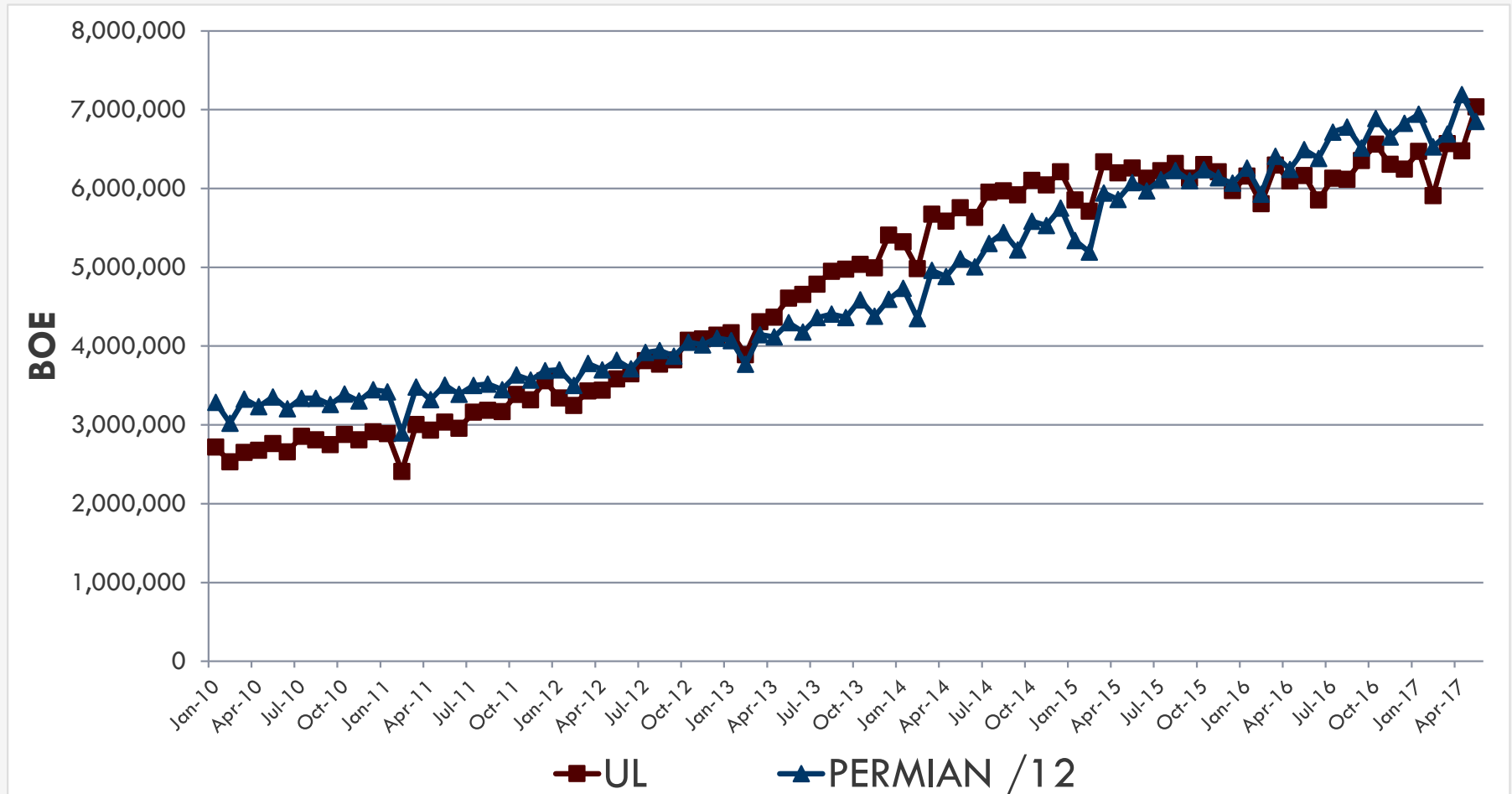
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Sources: Baker Hughes, EIA, University Lands

Permian Basin Production vs. Production on PUF Lands

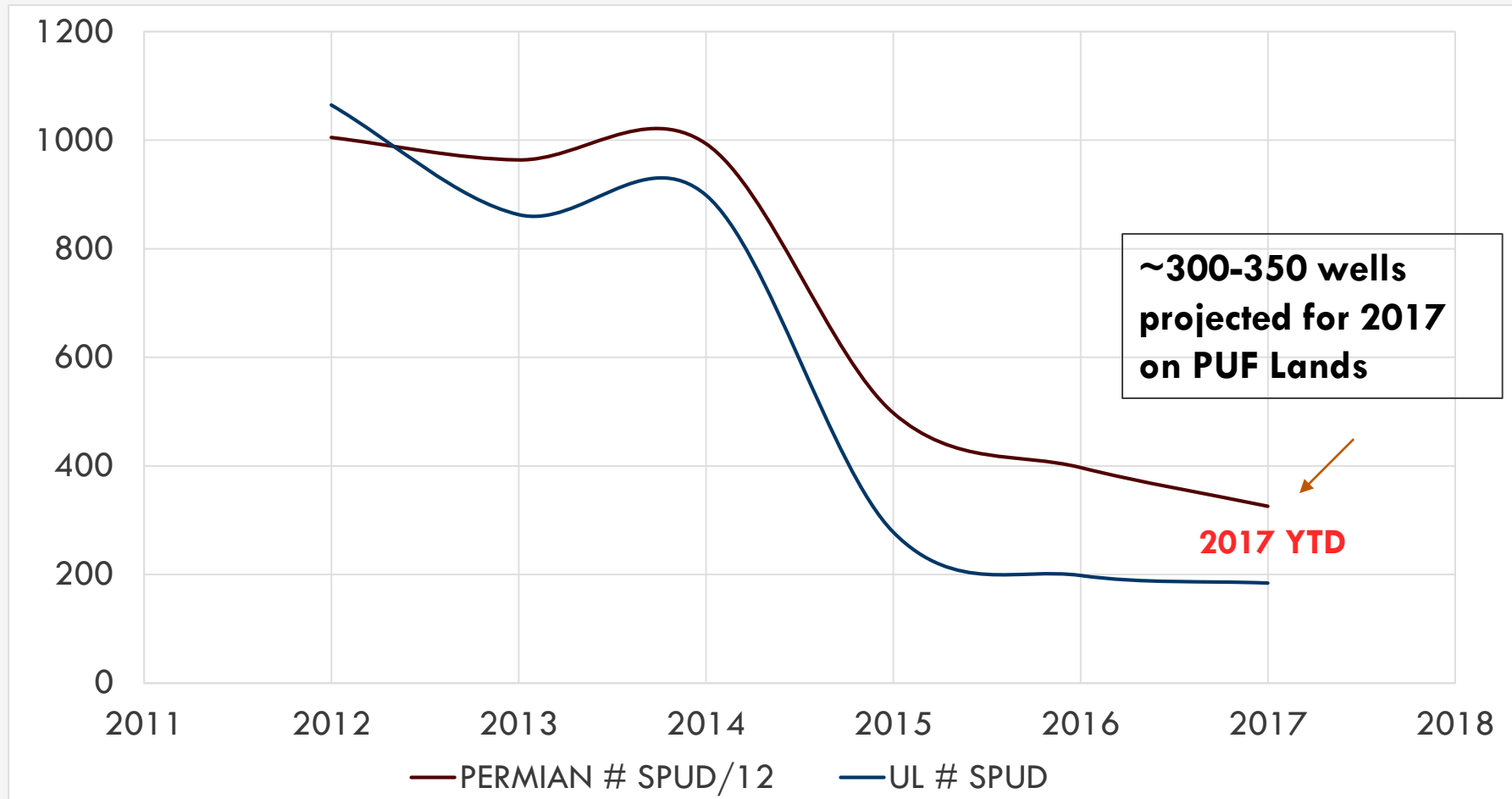
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Sources: DrillingInfo, University Lands

Permian Basin Wells Drilled vs. Wells Drilled on PUF Lands

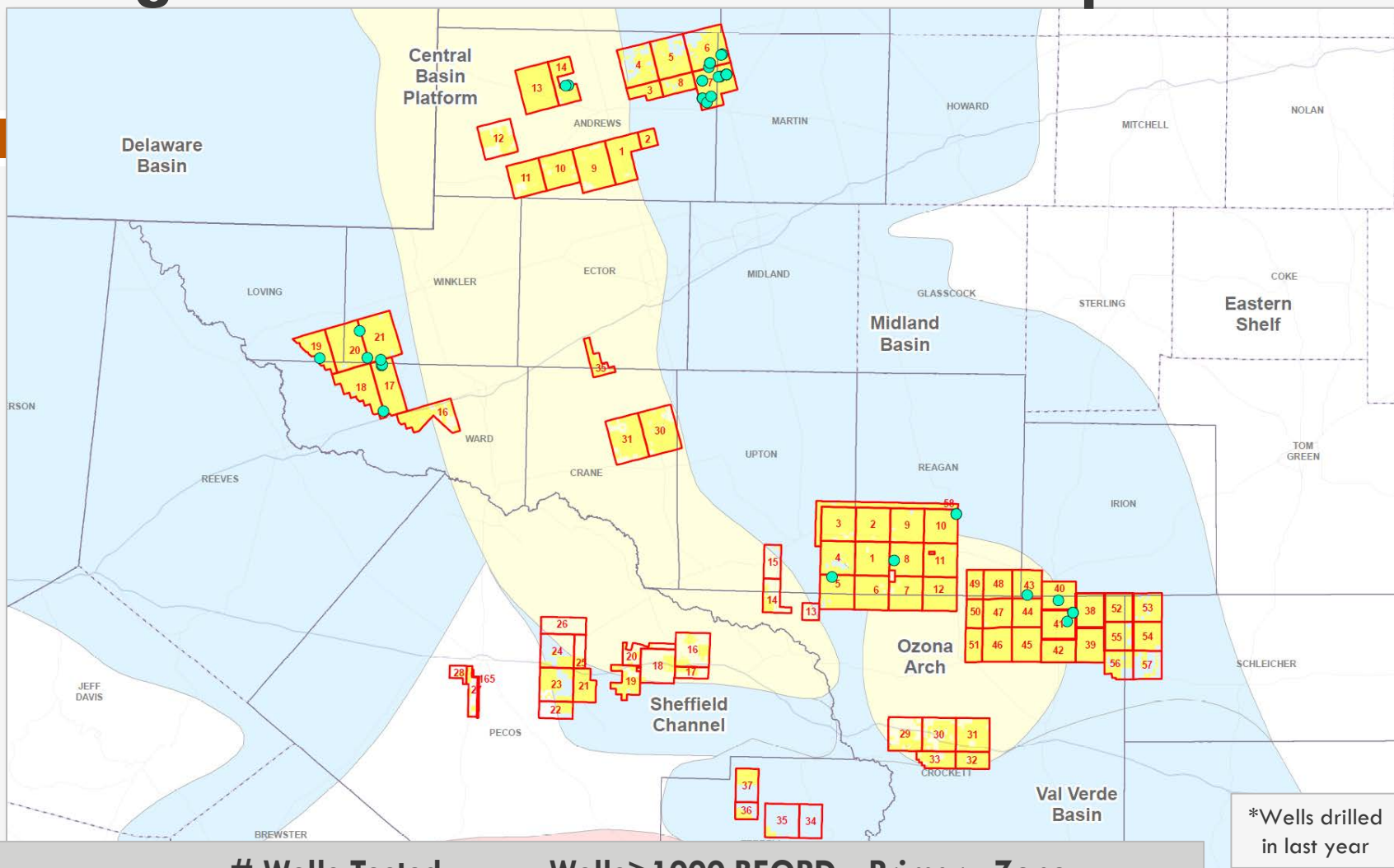
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Sources: DrillingInfo, University Lands

Strong Well Performance Across Major Basins

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*Wells drilled in last year

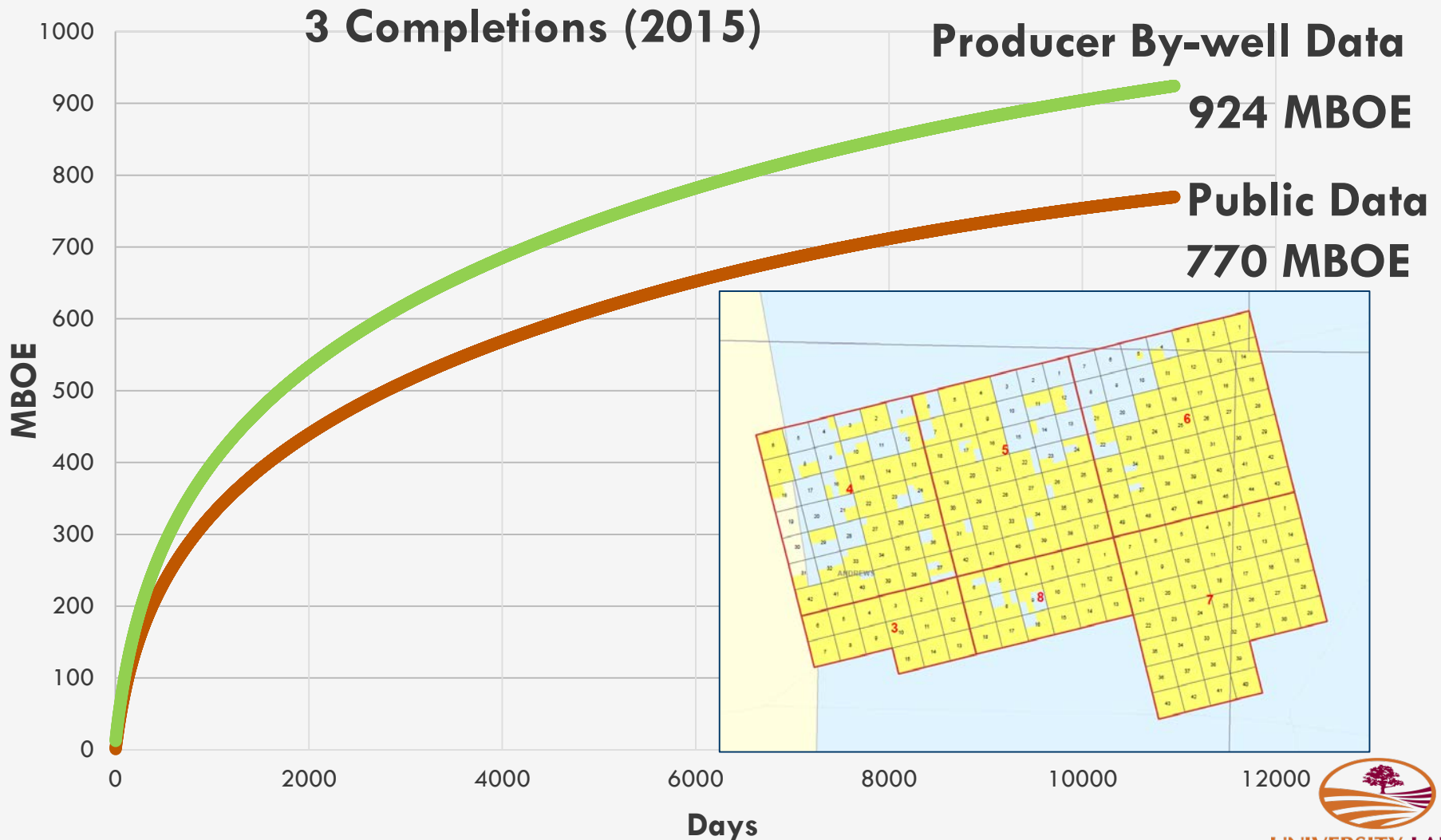
| <u>Basin</u> | <u># Wells Tested</u> | <u>Wells>1000 BEOPD</u> | <u>Primary Zone</u> |
|------------------------|-----------------------|----------------------------|---------------------|
| Northern Midland | 20 | 97% | Spraberry |
| Southern Midland | 48 | 48% | Wolfcamp |
| Delaware | 20 | 40% | Wolfcamp |
| Central Basin Platform | 27 | 7% | San Andres |



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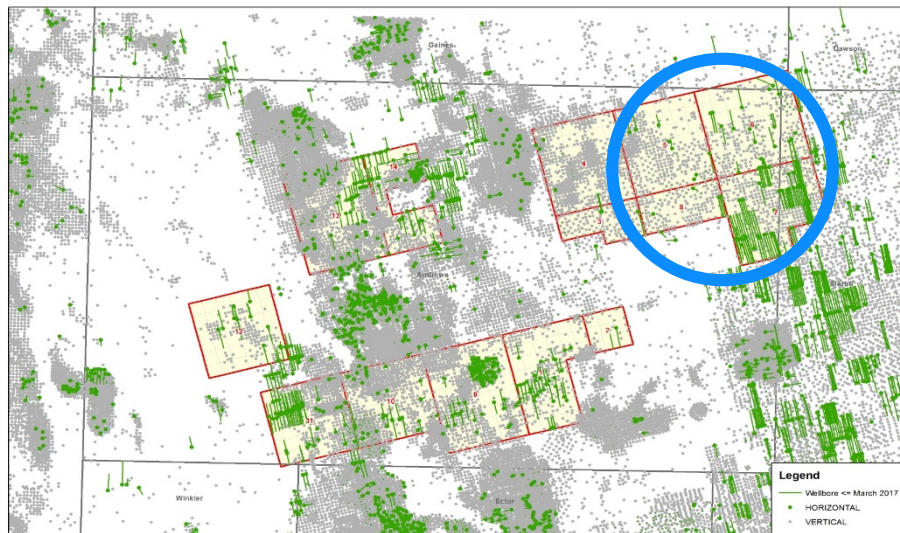
Northern Midland Basin - Well Generated Type Curves: Lower Spraberry Formation

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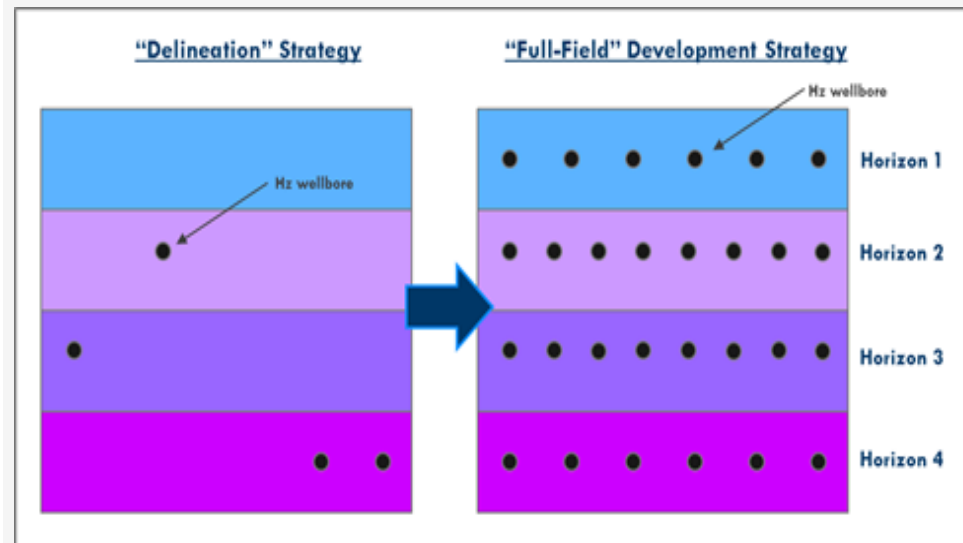
Increasing UL's Internal Technical Emphasis: Determining “Full-Field Development”

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Source: University Lands & IHS

- ❑ Study of 98,000 acres of PUF Lands in Andrews County, Texas
- ❑ July 2011 saw the first unconventional horizontal well drilled anywhere on PUF Lands
- ❑ Since then, ~440 Horizontal wells have been drilled on PUF Lands in the blue area *only*



DELINEATION STRATEGY:

Promotes Single
Well Pads,
Sequential
Completions,
Nimbleness

FULL-FIELD DEVELOPMENT STRATEGY:

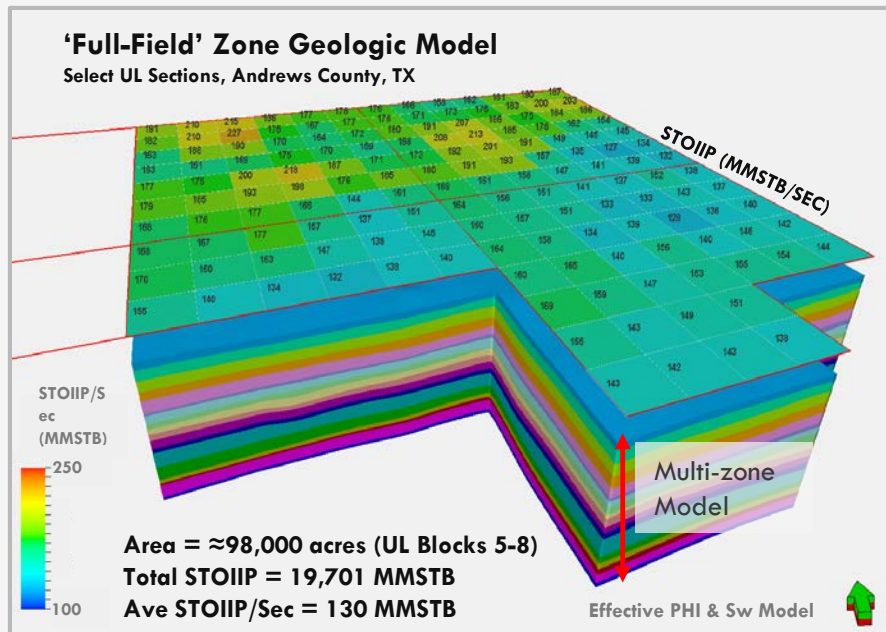
Promotes Scale,
Multi-well pads,
Simultaneous/
Sequential Fracing



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Technical Emphasis: Determining Resource Potential

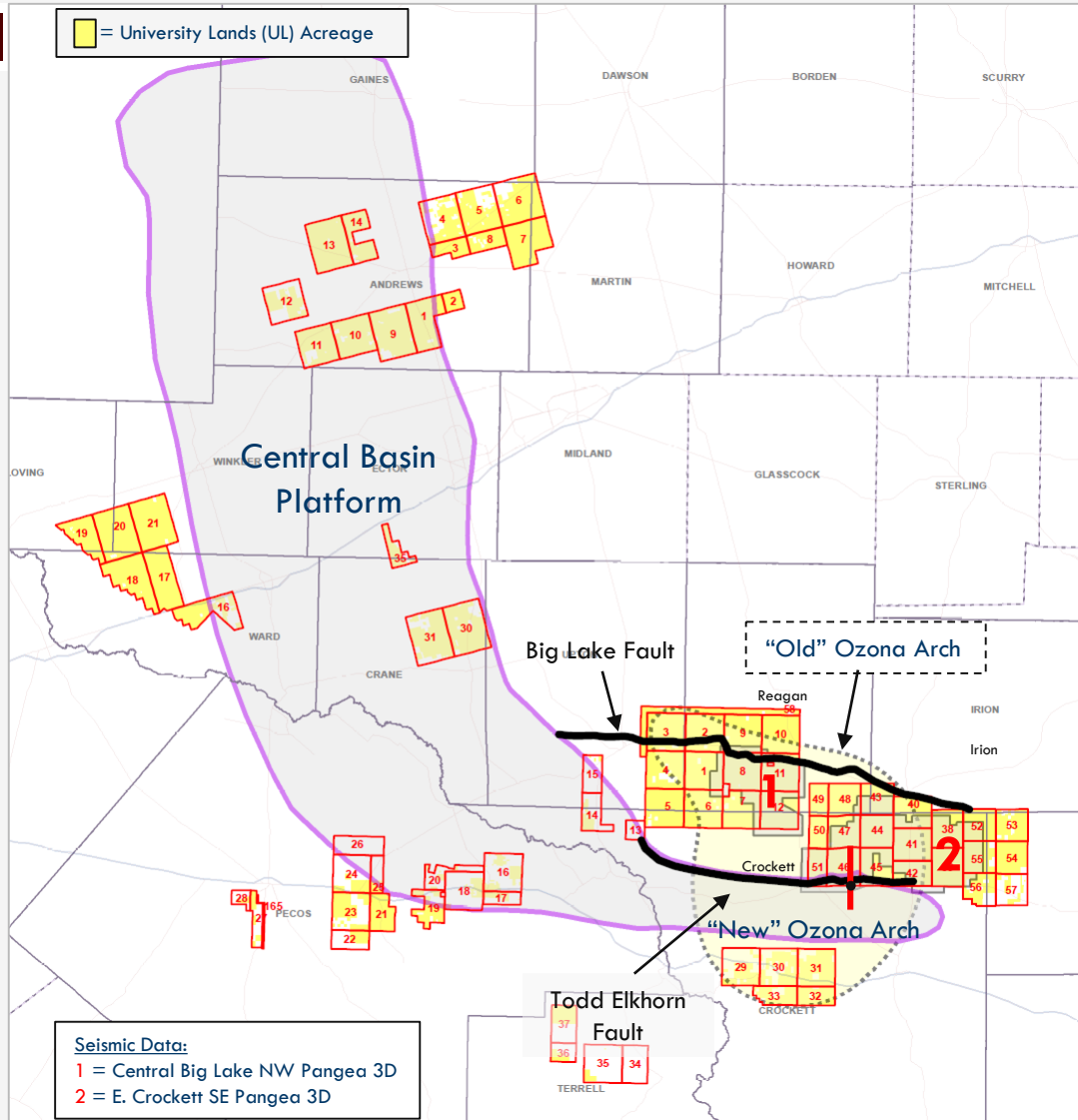
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- ❑ 2016 Estimate: 400 MMBOE in 3 zones
- ❑ 2017 Estimate:
 - ❑ 800 MMBOE in 3 zones
 - ❑ 1700 MMBOE in 7 zones
- ❑ Significant economic potential over time

Ozona Arch: A New Definition

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Previous Industry Convention:

- ☐ Wolfcamp Formation "poor" to the south
 - ☐ Thins atop Ozona Arch
 - ☐ Poor production
- ☐ Acreage valuable only north of Big Lake Fault

Seismic evaluation:

- ☐ Improve Ozona Arch definition
- ☐ Able to confirm Wolfcamp formation present south of Big Lake Fault
- ☐ Opens up UL acreage to south for Wolfcamp Exploration/Development
- ☐ Concept/outline conform to those of industry partners

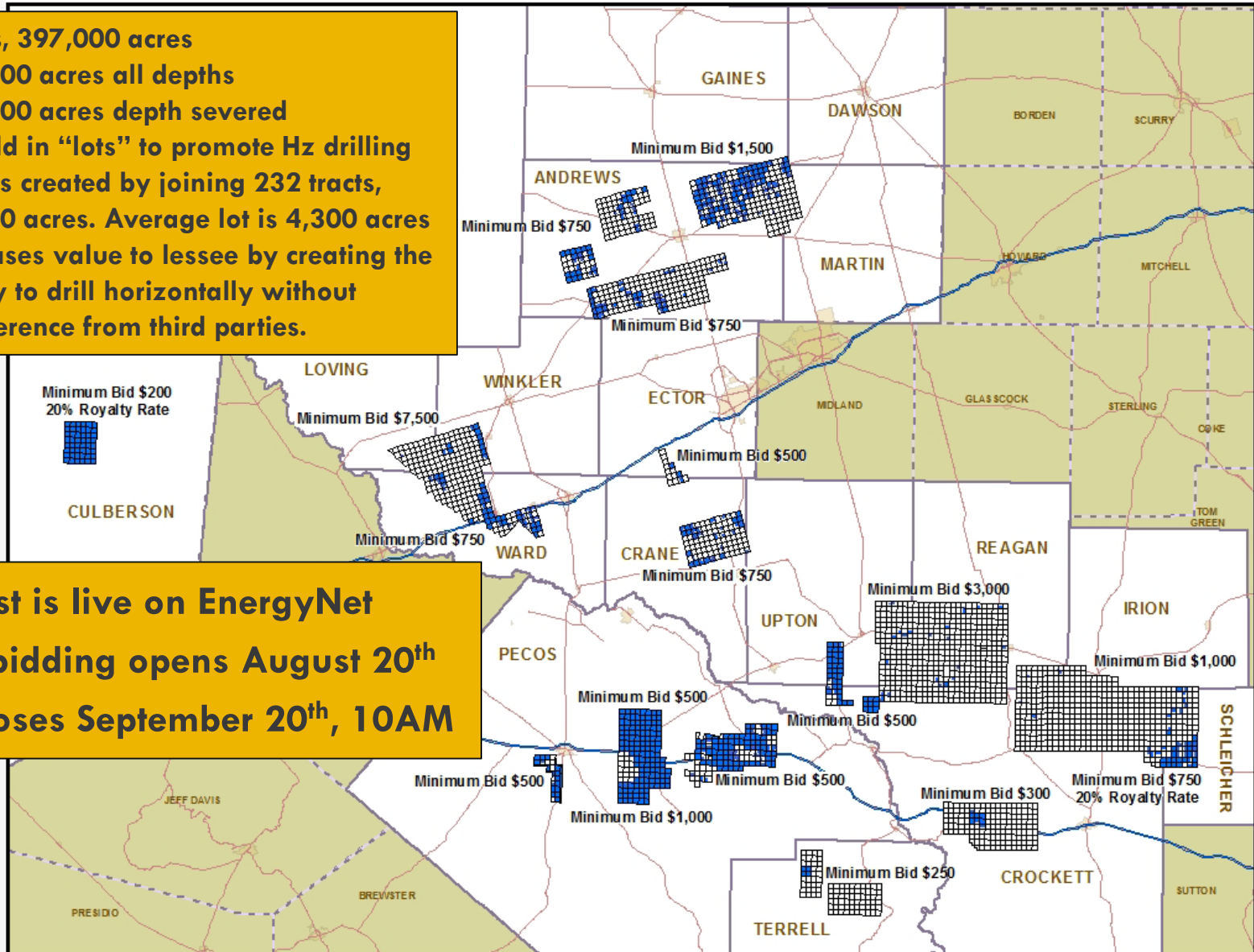


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UL Lease Sale #128 – September 20, 2017

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- 870 Tracts, 397,000 acres
 - 276,000 acres all depths
 - 121,000 acres depth severed
- Leases sold in “lots” to promote Hz drilling
 - 22 lots created by joining 232 tracts, 94,000 acres. Average lot is 4,300 acres
 - Increases value to lessee by creating the ability to drill horizontally without interference from third parties.



- Tract list is live on EnergyNet
- Lease bidding opens August 20th
- Sale closes September 20th, 10AM



University Lands Lease Form #48

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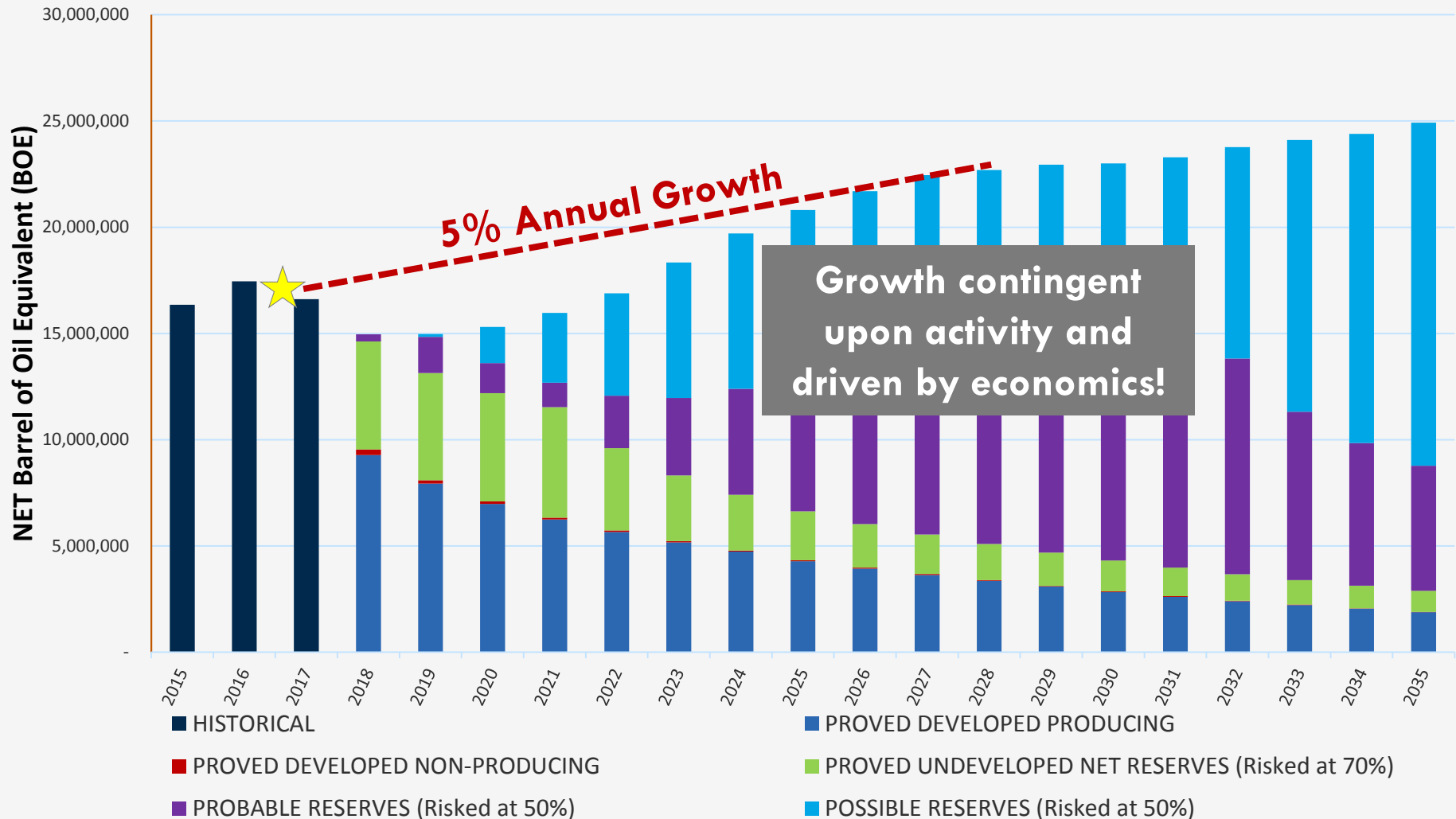
- Modernized to fit current industry practices and technology
- Encourages full development with specific terms that go beyond the implied covenant to develop, e.g. addition of a shallow rights Pugh clause
- Affirms UL's commitment to environmental stewardship, including the reduction of light pollution and promotion of best industry practices for emissions control
- Reflects a balanced approach and UL's goals to support operators in their responsible development PUF lands, while protecting lands that the State of Texas will own forever



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PUF Lands O&G Future Growth Should Mirror Permian Basin

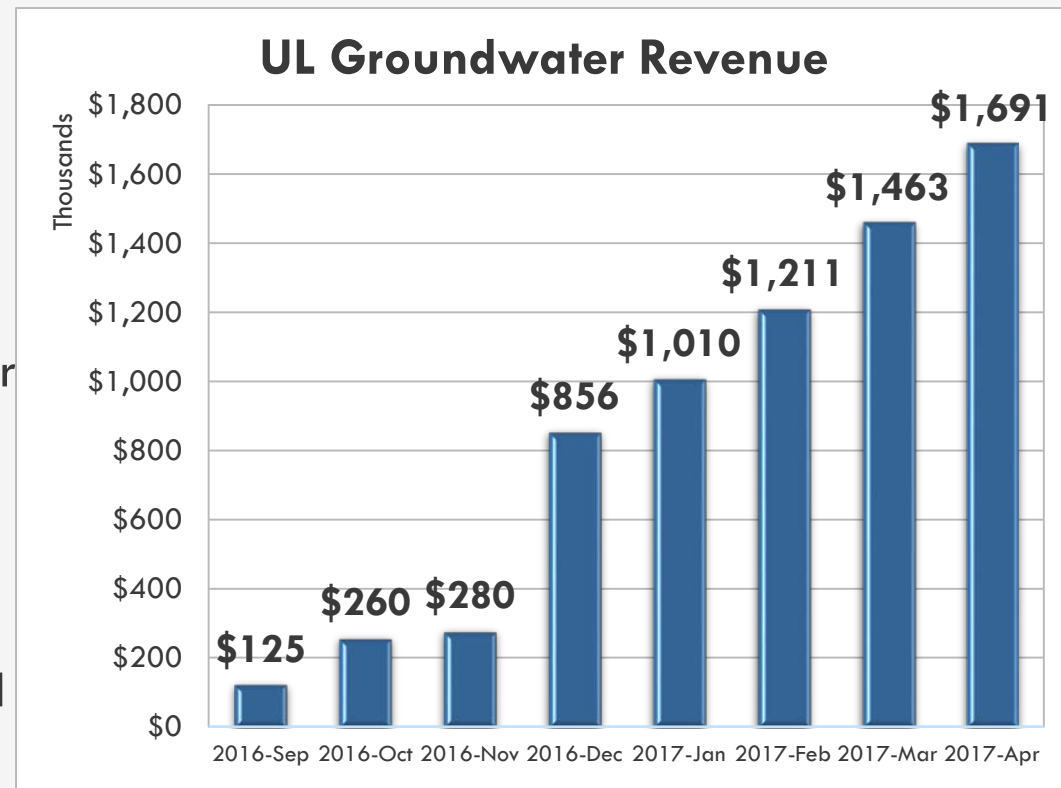
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New Business Line: UL Water Management

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- ❑ UL plays leading role in strategic water issues in West Texas
- ❑ Positioned over major & minor aquifers
- ❑ Water sales to municipalities; water districts; oil and gas companies
- ❑ Initiated new “per barrel” charge for oil and gas water use
- ❑ Water infrastructure dispersed and controlled by various companies/groups; many looking to participate in infrastructure development - desalination, brackish water use/recycling, etc.

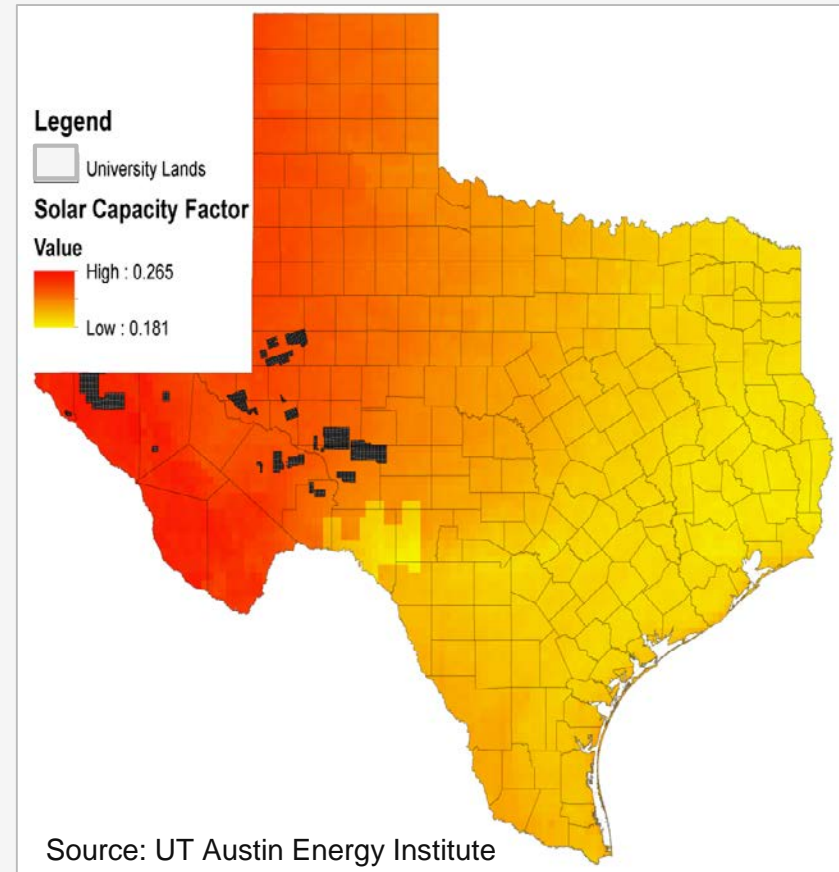


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New Business Line: Solar Energy Development

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- ❑ UL acreage in the “Mojave of Texas”
- ❑ Potential customer base of UT and A&M Systems
- ❑ Long-term prices appear attractive compared to natural gas
- ❑ Currently evaluating 2-3 solar development projects ranging from 25-400 megawatts per location
- ❑ O&G producers also interested in solar to power field operations



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University Lands: 20 Year Vision

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- ❑ **Oil and gas production will be predominant revenue source**
 - ▣ Drilling inventory of 30+ years at normalized rates
 - ▣ Assuming *consistent development activity* and continued technical momentum, production levels could increase 50-100% over time
 - ▣ Technology enhancements in all areas of operating activity, including environmental performance
- ❑ **Water resources will be a significant contributor to infrastructure improvement and development in West Texas**
- ❑ **Solar energy will be further developed across University Lands acreage**



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Thank you!



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